

PUBLIC DISCLOSURE

JANUARY 8, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CANTON CO-OPERATIVE BANK

671 WASHINGTON STREET

CANTON, MA 02021

CANTON, MA 02021

**DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202**

NOTE:

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of CANTON CO-OPERATIVE BANK prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The assessment of Canton Co-operative Bank's (CCB) CRA performance takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

The bank makes the majority of its residential loans within the assessment area. Deposits are returned to the community in the form of residential loans. The bank has not received any CRA-related complaints since the previous CRA Report of Examination. Based upon the geographic distribution of its loans and the review of its Fair Lending performance, CCB appears to be extending credit in a non-discriminatory manner. Management has also identified local credit needs and has developed products that help meet those needs.

PERFORMANCE CONTEXT

Description of Institution

Canton Co-operative Bank is a small mutual thrift institution incorporated under the laws of the Commonwealth of Massachusetts. The bank operates from a single office located at 671 Washington Street in Canton, Massachusetts. The main office is located in a middle income census tract. The bank maintains an Automated Teller Machine (ATM) that does not assess surcharges or fees to its customers.

The bank's business hours are considered reasonable and convenient for customers. Business hours of operation are from 9:00 a.m. to 4:00 p.m. Monday through Friday, with extended hours until 7:30 p.m. on Thursday evenings.

As of September 30, 1998, CCB had total assets of \$76.5 million. Loans comprised 54.1 percent of the institution's total assets. Data provided by bank management indicates that the types of loans most customers seek are residential first lien loans. According to the Consolidated Report of Condition (Call Report), dated September 30, 1998, loans secured by 1 to 4 family residential properties represented 96.0 percent of CCB's loan portfolio. According to Home Mortgage Disclosure Act (HMDA) aggregate data for 1997, CCB ranks as the number two lender in Canton. Although the bank's credit products consist mostly of residential mortgage loans, other credit products are offered. Each of the other categories represent no more than one percent of the loan portfolio. They include loans on multi-family dwelling of 5 or more units; consumer loans; home equity loans; commercial real estate loans; and construction/land development loans.

The bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation (FDIC) on May 19, 1997. That examination resulted in a CRA rating of "Satisfactory". The previous examination conducted by the Division of Banks on August 22, 1995 also resulted in a Satisfactory CRA rating.

Other than the bank's relatively small size, there does not appear to be any financial concerns or legal impediments that would inhibit CCB's ability to help meet the various credit needs of the assessment area.

Description of Assessment Area

Canton Co-operative Bank's assessment area is comprised of the Town of Canton, which is located in Norfolk County. Canton is part of the Boston Metropolitan Statistical Area (MSA). The assessment area has a total of 4 census tracts, 3 of which (75 percent) are designated as upper-income and 1 of which is designated as middle-income. There are no low or moderate-income tracts within the assessment area.

The Town of Canton is geographically situated approximately 17 miles southwest of the City of Boston. Although the Canton of today is an affluent and primarily residential community, the town has a long rich industrial heritage. In recent years, Canton has been the site of rubber, chemical and woolen manufacturing companies. The present commercial and industrial enterprises play a key role in the town's fiscal stability. The town historically enjoys one of the lowest unemployment rates in the Commonwealth. As of July 1997, the rate of unemployment stood at 2.7 percent.

A breakdown of family household income within the assessment area indicates that 9.2 percent of the households are low-income; 13.0 percent are moderate-income; 22.1 percent are middle-income; and 55.7 percent are upper-income. According to 1990 census data, 2.4 percent of Canton residents live below the poverty level. This figure is in sharp contrast to the statewide figure of 8.9 percent.

The 1990 census data also indicated that 41.7 percent of the total housing units within the assessment area are within middle-income tracts and 58.3 percent are within upper-income tracts.

ASSESSMENT AREA HOUSING DATA*							
CENSUS TRACTS	HOUSING UNITS	% VACANT UNITS	% OWNER-OCCUPIED	% RENTER-OCCUPIED	TOTAL FAMILIES	%	MEDIAN HOME VALUE
MIDDLE INCOME	2,831	3.0	34.2	63.5	1,788	36.8	\$185,600
UPPER INCOME	3,958	2.5	65.8	36.5	3,070	63.2	\$212,218
TOTALS	6,789	2.7	100.0	100.0	4,858	100.0	\$201,118

*Based on 1990 Census Data.

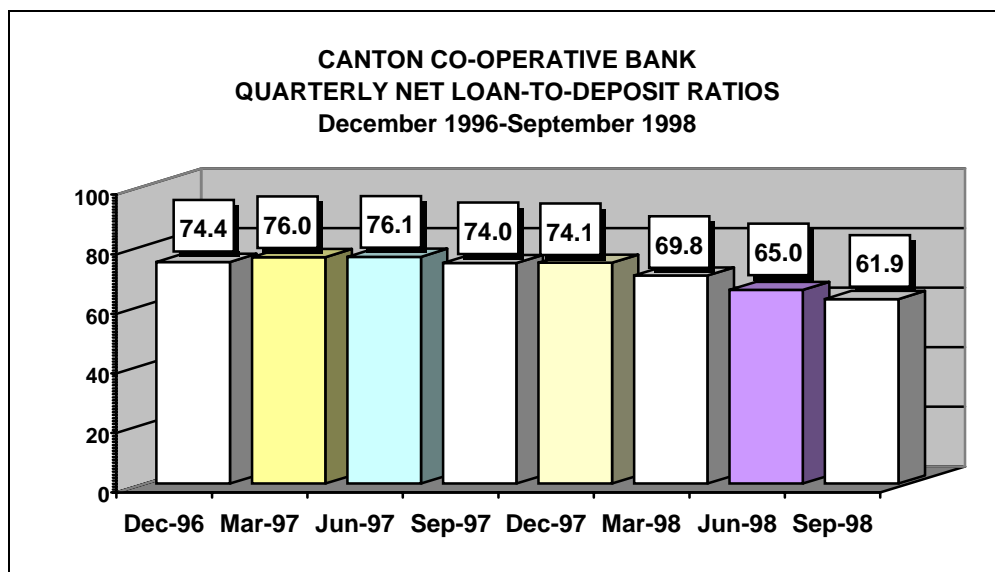
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon CCB's asset size, its capacity to lend, and the credit needs of its customers, the institution's net loan-to-deposit ratio meets the standards for satisfactory performance.

An analysis of Canton Co-operative Bank's net loan-to-deposit ratio was performed during the examination. The analysis utilized the last eight quarters of the Federal Financial Institutions Examination Council (FFIEC) Call Report data for this institution. The bank's

net loans to total deposits as reported to the FFIEC were reviewed for the quarters ending December 31, 1996 through September 30, 1998. For the period reviewed, the ratios peaked at 76.1 percent in June 1997, with a subsequent downward trend to the current low of 61.9 percent. Discussions with management indicated that a sharp decline in mortgages during the second quarter 1998 was attributed to the increase in housing values making lending to moderate-income buyers, the bank's historically targeted group, more difficult. Thus, the opportunity for originating mortgage loans has been negatively impacted by this trend. Nonetheless, the institution's average net loan-to-deposit ratio of 71.4 percent for this period is in line with other institutions of similar size and type.



An analysis of other institutions close in size and type to CCB was used to compare their net loan-to-deposit ratio with that of the bank as of September 30, 1998. Area institutions such as Dedham Co-operative Bank, Sharon Co-operative Bank, and Walpole Co-operative Bank, had net loan-to-deposit ratios of 68.8 percent, 73.2 percent, and 89.9 percent, respectively. The net loan-to-deposit ratios of the three institutions mentioned above were higher than Canton Co-operative Bank's ratio of 61.9 percent.

CCB considers its closest competitors to be the large financial institutions that operate in the area. Despite the bank's smaller size, in comparison to other larger and more aggressive financial institutions that operate within the assessment area, the institution does not appear to be adversely affected in its ability to provide credit within the community.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based upon the analysis of loan data, the bank's level of lending within the assessment area meets the standards for satisfactory performance.

A review of Canton Co-operative Bank's residential loan data for calendar years 1997 and 1998, was conducted in order to compare the institution's level of lending activity inside and outside of the assessment area. According to the institution's loan data for loans on 1 to 4 family properties, the bank originated 69 residential loans in calendar year 1997, and

originated 51 residential loans in 1998. Loans originated inside the bank's assessment area represented 72.5 percent of the total number, or 75.7 percent of the total dollar volume. Total dollar amount of the loans originated within the assessment area was \$9.9 million. Refer to the following tables for additional information.

Table 2a

RESIDENTIAL LOANS ORIGINATED BY NUMBER						
	1997		1998		TOTALS	
LOCATION	#	%	#	%	#	%
Canton	46	66.7	41	80.4	87	72.5
OUTSIDE ASSESSMENT AREA	23	33.3	10	19.6	33	27.5
TOTALS	69	100.0	51	100.0	120	100.0

Source: HMDA/LAR Data

Table 2b

RESIDENTIAL LOANS ORIGINATED BY DOLLAR AMOUNT						
	1997		1998		TOTALS	
LOCATION	\$(000)	%	\$(000)	%	\$(000)	%
Canton	5,032	69.2	4,855	83.9	9,887	75.7
OUTSIDE ASSESSMENT AREA	2,235	30.8	934	16.1	3,169	24.3
TOTALS	7,267	100.0	5,789	100.0	13,056	100.0

Source: HMDA/LAR Data

The overall rate of lending within the assessment area in comparison to the rate of lending outside the assessment area is at a satisfactory level.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

Based upon an analysis of residential loans by borrower income, the bank exceeds the standards for satisfactory performance in providing credit to customers of all income levels.

An analysis of CCB's Loan Application Register (LAR) data for calendar years 1997 and 1998, was conducted in order to determine the distribution of loans based upon the income levels of borrowers. The analysis was based on the median family incomes within the Boston Metropolitan Statistical Area (MSA). The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the Boston MSA. The Boston MSA median family income was \$59,600 for calendar year 1997 and \$60,000 for 1998. These figures are based upon estimated 1997 and 1998 Department of Housing and Urban Development (HUD) information.

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA; moderate-income is defined as 50 to 79 percent of the median family income; middle-income is defined as income between 80 and 119 percent of the median family income; and upper-income is defined as income at or greater than 120 percent of the median family income.

Within the assessment area, CCB granted 46 HMDA reportable loans in 1997, and 41 loans in 1998. Loans extended to borrowers within the middle-income category represented the largest individual category with 40.2 percent of the total number.

However, for total dollars, upper-income borrowers represented the largest category with 48.7 percent. Loans to borrowers of low-income and moderate-income represented 6.9 percent and 18.4 percent of the number loans originated, respectively; and 3.3 and 12.6 of the dollar volume, respectively. The concentration of loans among middle and upper-income borrowers was expected since the assessment area is made up primarily of upper-income tracts. The following tables provide a breakdown of residential loans originated among the bank's customers by applicant income level.

able 3a

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Number)						
% OF MEDIAN MSA INCOME	1997		1998		TOTALS	
	#	%	#	%	#	%
<50%	2	4.3	4	9.8	6	6.9
50%-79%	6	13.0	10	24.4	16	18.4
80%-119%	21	45.7	14	34.1	35	40.2
120%>	17	37.0	13	31.7	30	34.5
TOTALS	46	100.0	41	100.0	87	100.0

Source: HMDA/LAR Data

Table 3b

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Dollar Amount)						
% OF MEDIAN MSA INCOME	1997		1998		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	166	3.3	165	3.4	331	3.3
50%-79%	460	9.2	790	16.3	1,250	12.6
80%-119%	1,948	38.7	1,547	31.9	3,495	35.4
120%>	2,458	48.8	2,353	48.4	4,811	48.7
TOTALS	5,032	100.0	4,855	100.0	9,887	100.0

Source: HMDA/LAR Data

There are two comparisons that are necessary to determine the bank's performance of lending to borrowers of different incomes. The first analysis involves the comparison of the bank's lending activity to the economic makeup of the population in the assessment area. The second analysis involves a comparison of the bank's performance with the performance of all other financial institutions that made loans in the assessment area.

According to 1990 census data, low-income families represent 9.2 percent of the total families within the assessment area, moderate-income families represent 12.9 percent, middle-income families represent 22.1 percent, and upper-income families represent 55.7 percent. Based upon this information it would appear that the bank's level of lending to low-income borrowers is somewhat low. However, the lending opportunities among low-income individuals are limited. The relatively small but significant number of families that are near or below the poverty level influences the limited lending opportunities among low-income households. Based on 1990 census data, families living below the poverty level are approximately 1.2 percent within the assessment area. Additional compensating factors include households that receive public assistance or live in subsidized housing. Approximately 9.4 percent of the total housing units in Canton are subsidized. Consequently, this segment of the population is less likely to be in the market to purchase a home in this affluent community. Thus, the disparity

between the economic makeup of the population and the bank's record of lending is not as significant due to fewer lending opportunities to low-income borrowers.

The second analysis utilizes the 1997 HMDA aggregate data for comparison of CCB to other financial institutions that made loans within the same area. This data indicated that for all other HMDA reporters in the assessment area, 2.7 percent of the total number and 1.0 percent of the dollar volume was to low-income borrowers; and 11.3 percent of the total number and 6.2 percent of the total dollar volume was to moderate-income borrowers. The 1997 figures for CCB, as shown in Table 3a, indicate that the number of loans to low-income and moderate-income borrowers is 4.3 percent and 13.0 percent, respectively, and 3.3 percent and 9.2 percent of the dollar volume, respectively. These figures compare favorably to the aggregate. However, it should be noted that the 1997 aggregate data includes a relatively high percentage of loans designated "NA." This should be considered as a compensating factor in this determination.

1997 AGGREGATE HMDA DATA				
	BANK		OTHER INSTITUTIONS	
% OF MEDIAN	%	% DOLLAR	%	% DOLLAR
FAMILY INCOME	NUMBER	AMOUNT	NUMBER	AMOUNT
<50%	4.3	3.3	2.7	1.0
50%-79%	13.0	9.2	11.3	6.2
80%-119%	45.7	38.7	18.2	12.8
120%>	37.0	48.8	50.6	59.9
NA	0	0	17.1	20.1

Source: ©PCI Services, Inc. CRA WIZ

HMDA aggregate data for calendar year 1997 further indicates that CCB ranks second in market share for all applicants, and fourth in market share for low-income applicants. This data suggests that the competitive market in which the institution operates and the competition for market share between other locally based and large regional financial institutions has no adverse impact on the bank's lending performance among borrowers of different incomes.

Although the bank's overall loan volume is somewhat low, the percentage of residential lending to low and moderate-income individuals is fairly strong. Given the size of the bank, market share is also considered fairly strong. Therefore, the distribution of residential loans among individuals of various incomes exceeds satisfactory standards.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The analysis of the geographic distribution of residential loans and a comparative analysis of 1997 HMDA aggregate data indicate that CCB meets the standards for satisfactory performance.

The following table notes the number of residential loans originated within the assessment area by census tract classification.

As data in tables 4a and 4b indicates, the geographic distribution of the assessment area's owner-occupied properties is evenly distributed within the middle-income and

upper-income census tracts. The spread of loans among the various tracts reasonably reflects the residential owner-occupancy characteristics of the assessment area's various census tract categories. Loans originated within middle and upper-income tracts represent 46.0 percent and 54.0 percent of the total number, respectively. Refer to the following tables for more detail.

Table 4a

RESIDENTIAL LOANS BY CENSUS TRACT (Number)								
CENSUS TRACT	1-4 FAMILY OWNER-OCCUPIED		1997		1998		TOTALS	
	#	%	#	%	#	%	#	%
MIDDLE	1,694	34.2	23	50.0	17	41.4	40	46.0
UPPER	3,254	65.8	23	50.0	24	58.5	47	54.0
TOTAL	4,948	100.0	46	100.0	41	100.0	87	100.0

Source: HMDA/LAR Data

Table 4b

RESIDENTIAL LOANS BY CENSUS TRACT (Dollar Amount)								
CENSUS TRACT	1-4 FAMILY OWNER-OCCUPIED		1997		1998		TOTALS	
	#	%	\$(000)	%	\$(000)	%	\$(000)	%
MIDDLE	1,694	34.2	2,495	49.6	1,359	28.0	3,854	39.0
UPPER	3,254	65.8	2,537	50.4	3,496	72.0	6,033	61.0
TOTAL	4,948	100.0	5,032	100.0	4,855	100.0	9,887	100.0

Source: HMDA/LAR Data

Of the assessment area's four census tracts, only one is middle-income, and the remaining three are upper-income. Unlike the distribution of loans for CCB, the distribution of loans for all other lenders who made loans within the assessment area favors the upper-income tracts.

The following Table 4c indicates that 34.2 percent of the assessment area's owner-occupied properties are located within the sole middle-income tract. However, CCB's loan activity within these tracts, with 50.0 percent of the total number and 49.6 percent of the dollar volume, contrasts sharply with that of the 1997 aggregate, which indicates that 29.4 percent of the number and 22.7 percent of the total dollar amount originated in middle-income tracts. Aggregate figures more closely reflect area demographics.

Table 4c

RESIDENTIAL LOANS BASED ON AGGREGATE DATA								
CENSUS TRACT INCOME CATEGORY	BANK 1997**				1997 AGGREGATE DATA ¹			
	NUMBER		DOLLAR		NUMBER		DOLLAR	
	OF LOANS		AMOUNT		OF LOANS		AMOUNT	
	#	%	\$(000)	%	#	%	\$(000)	%
MIDDLE	23	50.0	2,495	49.6	205	29.4	27,083	22.7
UPPER	23	50.0	2,537	50.4	492	70.6	92,350	77.3
TOTAL	46	100.0	5,032	100.0	697	100.0	119,433	100.0

Source:*1990 Census Data

**HMDA/LAR Data

¹©PCI Services, Inc. CRA WIZ

Based upon the foregoing analyses, the geographic distribution of loans appears to reflect a reasonable dispersion of loans throughout the delineated assessment area.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Review of Complaints

A thorough review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

Fair Lending Policies and Practices

The bank has a written Fair Lending Policy to ensure that all credit applicants receive fair and equal treatment. Detailed below is the bank's fair lending performance as it relates to the guidelines established by the Division's fair lending policy (Regulatory Bulletin 2.3-101)

STAFF TRAINING

The bank conducts annual fair lending training for all bank lending personnel. Loan personnel view fair lending tapes and receives diversity training annually.

STAFF COMPOSITION AND COMPENSATION

The bank's staff consists of 13 full-time and 6 part-time employees. All loan personnel are paid on an hourly basis with no incentive pay for any loan type.

OUTREACH

The bank maintains regular contact and supports such local organizations as Health and Social Services Consortium, Incorporated a non-profit organization that serves elderly needs in South Norfolk County. The bank supports the organization's retired person's money management program, which trains volunteers to assist low to moderate-income elderly persons with managing their finances. In addition, an ongoing dialogue has been established with the Canton Housing Authority concerning affordable housing issues in Canton.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The bank offers credit products that include residential mortgage loans and passbook loans. In 1998, the bank extended its equity loan product to include all

of Canton as opposed to CCB's previous policy of offering equity loans to anyone with a first lien mortgage with the bank.

MARKETING

The bank's advertising efforts include mostly name recognition in local print media. The advertisements are geared toward eligible individuals within the assessment area.

CREDIT EDUCATION

The bank has not sponsored or participated in any credit education programs over the past two years.

COUNSELING

The bank will provide one on one or group counseling to applicants regarding the bank's credit underwriting standards. If an applicant is found to have insufficient credit history or a problem credit history, the bank will refer the applicant to the appropriate credit counseling agency. In addition, the bank will request that such credit counseling agency notify the bank once the referred party's credit standing has sufficiently improved.

SECOND REVIEW PRACTICES

CCB requires each mortgage loan application that is initially recommended for denial to receive a second review. All loan application documentation is reviewed by another loan officer. Prior to applicant notification, a thorough review is conducted and every effort is made to approve any loan applicant who qualifies for protected status under federal and state regulations against discrimination.

INTERNAL REVIEW PROCEDURES

Management submits an annual report to the Board of Directors that includes:

1. A comparison of the diversity of applicants for the bank's credit versus the diversity of the population of Canton.
2. The denial rates and the numbers of loans approved for each protected class of applicant using HMDA data.
3. Bank management's responses to any discerned evidence of prohibited discrimination.

APPLICATION FLOW

The Division also reviewed the number of applications received from minority applicants. For the calendar years 1997 and 1998, the bank received a total of 4 mortgage applications from minority applicants (2 Asian and 2 Black). This represented approximately 4.4 percent of all residential mortgage applications received during the period.

APPLICATION FLOW						
	1997		1998		TOTAL	
	#	%	#	%	#	%
Asian	1	2.0	1	2.4	2	2.2
Black	0	0	2	4.9	2	2.2
Hispanic	0	0	0	0	0	0
Native American	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total Minority	1	2.0	3	7.3	4	4.4
White	48	98.0	38	92.7	86	95.6
NA	0	0	0		0	0
Total	49	100.0	41	100.0	90	100.0

Source: HMDA/LAR Data

A review of aggregate HMDA data for calendar year 1997, which was compiled by PCI Services, Inc. CRA Wiz, indicated that 6.0 percent of the 928 applications received by other institutions were from minority applicants. Of the 49 applications received by CCB in 1997, 2.0 percent were from minority applicants, which is below that of other institutions operating within the assessment area.

1997 AGGREGATE HMDA DATA		
	#	%
Asian	20	2.2
Black	15	1.6
Hispanic	4	0.4
Native American	1	0.1
Other	16	1.7
Total Minority	56	6.0
White	688	74.1
NA	184	19.9
Total	928	100.0

Source: ©PCI Services,Inc,CRA WIZ

According to 1990 census data, the bank's assessment area has a total population of 18,530 individuals. Of this total 2.3 percent is composed of minority residents. Given the demographics of the bank's assessment area the bank's application flow appears to be reasonable.

Based upon the foregoing information, the bank appears to make a reasonable effort to comply with fair lending policies and practices as prescribed by the Regulatory Bulletin 2.3 101.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CANTON CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 8, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____